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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON ENVIRONMENTAL POLICY

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(Item 9 (d) of the provisional agenda)

**INTEGRATING ENVIRONMENTAL CONSIDERATIONS INTO SECTORAL POLICIES**

Note by the secretariat

1. The integration of environmental policy with other policies is a key strategic tool to promote sustainable development in accordance with Agenda 21. The Environmental Programme for Europe, which is intended to make Agenda 21, particularly its provisions relating to policy integration, more operational in the European context, establishes that environmental policy should be the concern of the entire Government and that all governmental levels should set an example by reducing the adverse environmental impact of their own activities. One of its key recommendations is to

*"ENSURE the integration of environmental considerations into decision-making, including the consideration of environmental costs and benefits and the assessment of risks involved and the application of the precautionary principle in all key sectors, and take further steps to promote partnerships between ministries, parliaments, business and industry, non-governmental organizations (NGOs) and other major groups."* (ECE/CEP/25)

2. In response to a call by the Environment Ministers in Århus (Denmark) on the Committee on Environmental Policy to continue to screen the Programme to implement priority actions on a pan-European level (ECE/CEP/41, annex II, para. 63), the Committee, at its fifth session, decided, in particular, to initiate a programme to improve the integration of environmental concerns into sectoral policies, taking fully into account the activities of other international bodies. At its sixth session, the Committee is expected to take a decision on this programme's practicalities.

3. The present note, prepared in consultation with the Bureau, puts forward detailed proposals regarding the possible content of the Committee's policy integration programme and a working method. It also provides information on the recent, ongoing and planned activities of major international bodies on integrating environmental policy with sectoral policies (annex).

#### **I. POSSIBLE APPROACH AND WORKING METHOD FOR THE COMMITTEE'S PROGRAMME**

4. From the activities carried out by other organizations, it is clear that individual international actors (except the Committee on Sustainable Development) are working on selected policy integration issues with the involvement of few economies in transition, if any. No effort has been made so far to address the multiplicity of policy integration aspects in a comprehensive manner, taking fully into account the specific requirements of all countries in transition. ECE itself has never undertaken such an activity either. Nevertheless, some of its accomplishments are of direct relevance to the integration of environmental policy with sectoral policies. Examples include: *Guidelines on Integrated Environmental Management in Countries in Transition* (1994), *Environmental Programme for Europe* (1995), *Role of Economic Instruments in Integrating Environmental Policy with Sectoral Policies* (1998), *Guidelines on energy conservation in Europe* (1998), *Programme of Joint Action adopted by the Regional Conference on Transport and the Environment* (1997), conventions on EIA and on public participation, and environmental performance reviews of Croatia, Estonia, Latvia, Lithuania, Republic of Moldova, Slovenia and Ukraine (1996-1999).

5. A high-level group of governmental officials may be established to prepare a set of policy recommendations to ECE Governments, in the form of guidelines or a charter, on integrating environmental policy with sectoral policies. The group would be composed of policy makers from environment ministries who are responsible for cooperating with economic sectors. It would prepare a first draft of such guidelines/charter drawn by mid-2001 to be discussed possibly at a workshop with senior officials from sectoral ministries of the ECE region. Local governments, the private sector, international organizations and environmental NGOs would also be represented. The outcome would then be integrated in the final text of such guidelines.

#### **II. PROPOSED TERMS OF REFERENCE FOR A HIGH-LEVEL GROUP**

6. The work would focus on selected sectors whose concrete approaches to policy integration can be examined in detail. Based on the experience at national and international levels, the high-level group would identify and recommend practical ways of:

- Promoting the sectors' own initiatives and putting the main responsibility for implementation on the sectors themselves;
- Broadening the use of price mechanisms to promote policy integration;
- Improving coordination and partnerships between environmental authorities and sectoral ministries, local governments, the business community and other major groups;

- Adapting environmental policies and the functions of environmental authorities to the requirements of policy integration.

7. Tools and mechanisms effectively integrating environmental considerations into sectoral policies might cover, inter alia:

- Strategic environmental assessment of sectoral policy initiatives;
- Economic evaluation of environmental externalities of sectoral activities;
- Sectoral environmental indicators and targets;
- Sectoral environmental reporting;
- Environmental procurement procedures of central and local governments;
- Voluntary environmental approaches by economic sectors;
- Integrated pollution prevention, control and accounting at enterprises.

8. The high-level group could identify possible packages or combinations of best practical policy integration instruments to be selected on the basis of specific criteria, such as:

- Environmental effectiveness
- Reasonable administrative and compliance costs;
- Broad applicability in a variety of countries;
- Public acceptability.

9. Furthermore, the high-level group could recommend implementation strategies and effective mechanisms to oversee the integration at different levels. Particular attention should be given to the role of international mechanisms promoting policy integration, such as:

- Environmental conventions;
- Sectoral conventions (e.g. ECE conventions);
- Action programmes (e.g. Environmental Programme for Europe, Vienna Programme of Joint Action on Transport and the Environment, and the Aarhus Policy Statement on Energy Efficiency);
- Environmental performance reviews;
- Economic and sectoral surveys (e.g. ECE economic surveys and annual reviews on energy, transport and timber).

10. The outcome of the work would be submitted to the Committee on Environmental Policy for adoption and transmission to the Ministerial Conference "Environment for Europe" in Kiev in 2002, for endorsement.

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The Committee, at its sixth session, may wish to entrust a high-level group with the above-mentioned mandate and invite interested Governments to provide voluntary contributions to cover the travel expenses of members of the high-level group from ECE countries in transition that are non-members of OECD.

Annex

**ACTIVITIES OF OTHER ORGANIZATIONS**

1. In view of the breadth and scope of the policy integration issue, the information in this annex is not comprehensive. Nevertheless, it might be helpful in identifying those aspects of policy integration which have not yet received sufficient attention in the ECE region at large and in countries in transition in particular.

United Nations Commission on Sustainable Development (CSD)

2. At its annual sessions in 1995-1997, CSD considered reports on the progress made in the implementation of the objectives set out in chapter 8 of Agenda 21 (Integrating environment and development in decision-making). The reports covered issues such as: national sustainable development strategies, local and regional Agenda 21 initiatives, national councils, and policy tools for sustainable development (environmental impact assessment, indicators for sustainable development, environmental management systems, integrated pollution prevention and control, pollutant release and transfer registers, integrated environmental and economic accounting, and strategic environmental assessment).

3. The Programme for the Further Implementation of Agenda 21, adopted by the General Assembly at its special session in June 1997 (UNGASS), mentioned the integration of economic, social and environmental objectives among the areas requiring urgent action. It reconfirmed that sustainable development could not be achieved without greater integration at all policy-making levels and at operational levels. To ensure that integrated approaches were effective and cost-efficient, the General Assembly called for a broad package of policy instruments, including regulation, economic instruments, internalization of environmental costs in market prices, environmental and social impact analysis, and information dissemination, to be worked out. It invited CSD to promote policies that integrate the economic, social and environmental dimensions of sustainability.

4. Consequently, CSD included in its programme of work for 1998-2002 in-depth discussions on policy integration issues relating to major economic sectors at its annual sessions. They are intended to provide for an interactive dialogue between the representatives of Governments, the business community, trade unions, non-governmental organizations, other major groups, and international organizations. In 1998 CSD focused on the integration of economic, social and environmental goals into industrial policy and decision-making. In 1999 it dealt with tourism. It will consider agriculture in 2000 and energy/transport in 2001.

United Nations Environment Programme (UNEP)

5. UNEP has provided assistance to countries, primarily developing countries, in strengthening their capacities to integrate environmental considerations into development planning and decision-making, through the development and application of environmental impact assessment (EIA),

environmental valuation, natural resource accounting, and economic instruments at the country level, as well as in the implementation of multilateral environmental agreements.

6. In 1996, UNEP launched the *Environmental Impact Assessment Training Resource Manual*. The main objective was to enable trainers to develop tailor-made training courses for the different target groups concerned with EIA. Its companion volume, *Issues, Trends and Practice*, was designed to strengthen the capacity to devise country-specific EIA guidelines. By the end of 1998, UNEP had completed an operational environmental and natural-resource-accounting manual to promote the application of methodologies and approaches that integrate environmental and social elements into national income accounting. It also published a compendium of country case studies on the application of valuation methodologies in 1998. Another compendium contained country case studies on the application of economic instruments.

7. Together with the United Nations Conference on Trade and Development (UNCTAD), UNEP has launched a technical assistance programme on trade, environment and development that focuses on reinforcing the capacities of countries to assess the environmental impact of trade liberalization policies and the development of policy packages for the integration of environmental considerations in trade policies. UNEP has also launched two initiatives to contribute to international efforts to promote and facilitate environmentally responsible investments within the financial services sector.

8. In February 1999 the Governing Council of UNEP invited its Executive Director to intensify work on the integration of environmental aspects in United Nations programmes.

#### European Union

9. The objective of integrating environment into other policies at all levels was introduced initially in the Single European Act and received priority in the 5th Environmental Action Programme. The Amsterdam Treaty included a legally binding requirement to integrate environmental protection into all Community policies and activities. To this end, the Commission drafted a strategy offering practical steps to implement the integration principle in the daily work of the Community's institutions in 1998. The Commission's Guidelines for a Partnership for Integration of Environment into Other Policies envisage:

- The introduction of a detailed environmental assessment of all key policy initiatives;
- The explicit reflection of environmental requirements in decisions on new proposals;
- The review of existing policies and the preparation of integration strategies (including the identification of policy and performance indicators and indicative targets as a basis for monitoring their implementation) in key sectors;
- The review of current organizational arrangements to ensure policy integration.

10. At its meeting in Cardiff (United Kingdom) in June 1998, the European Council welcomed the Commission's strategy for integrating environment into EU policies. It endorsed the principle that the Commission's main policy proposals should be accompanied by an appraisal of their environmental impact. It invited all relevant bodies of the Council to establish their own strategies for giving effect to environmental integration and sustainable development within their respective policy areas. The European Council will review progress at its meeting in Helsinki in autumn 1999.

Organisation for Economic Co-operation and Development (OECD)

11. The OECD work on policy integration has been focusing on price mechanisms (market-based) and institutional aspects (government-based). To examine the potential of economic instruments, OECD has carried out studies on environmental taxes, tradable permits, deposit-refund systems, subsidies, and natural resource (water and biodiversity) pricing. It has prepared manuals on the economic appraisal of environmental projects and policies. It has also carried out a survey of recent trends in reforming environmental regulations in its member countries. Environmental considerations have been covered in the OECD-wide review of recent achievements in reforming economic regulations. OECD has conducted several general studies of the policy integration concept itself, such as *Integrating Environment and Economy: Progress in the 1990s*.

12. In April 1998, OECD Environment Ministers reconfirmed the need to promote the integration of economic, social and environmental policies. They expressed the hope that other Ministers would integrate environmental concerns into their policies. They committed themselves to integrating social and economic concerns into environmental policies. The Ministers agreed to promote an integrated policy approach which encourages coherence among economic, environmental and social policies, by:

- Promoting sustainable consumption and production patterns;
- Promoting eco-efficiency;
- Reflecting the true environmental and social costs in natural resource prices;
- Associating ministerial colleagues in other key policy sectors in integrating the environmental dimension into sectoral policies;
- Improving the environmental performance of governments' own operations, procurement and investment policies, and decision-making processes.

13. Ministers called upon OECD to deepen its work on integrating environmental concerns into key economic sectors, including its activities on:

- The environmental component of the OECD Guidelines for Multinational Enterprises;
- The environmental aspects of official export credit support;
- The economic, social and environmental implications of climate response actions;
- Sustainable development indicators;
- Environmentally sustainable transport.

14. The 1999-2000 programme of work of the OECD Environment Directorate reflects these priorities. For instance, its programme activity 2 "Economic and Environmental Policy Integration" aims at promoting the compatibility and mutual reinforcement of economic and environmental policies by:

- Identifying approaches to remove environmentally harmful economic support measures;
- Analysing economic instruments and voluntary agreements for achieving environmental objectives at least cost; and
- Developing integration tools and strategies for agricultural and tax policies.

Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (EAP)

15. A special session on "Integration of Environmental Concerns into Economic Development", in the form of a panel discussion, was organized at the tenth EAP Task Force meeting in Paris in October 1998. The Task Force's programme of work for the period 1998-2000 includes several elements relating to the integration of environmental concerns into other policies.

16. A subprogramme for central and eastern Europe (activity on Integration of Environment into Other Policies) foresees the compilation of information on best practices and approaches to sustainable development, the preparation of a source book on economic instruments, the development of guidelines on strategic environmental assessment and the evaluation of the integration of biodiversity considerations into rural development and agricultural practices.

17. A subprogramme for the newly independent States envisages activities on effective environmental policy instruments (economic instruments, regulatory reform and compliance mechanisms), building public and political support for the environment, developing and implementing environmental policies and action plans at local and regional level, and support and environmental financing.

Council of Europe

18. The Council of Europe has recently initiated two projects under Action Theme 2 "Integration of landscape and biological diversity into sectors" of the Pan-European Biological and Landscape Diversity Strategy. The "Transport and environment" project aims at drawing up a code of practice to ensure that more account is taken of biological and landscape diversity in road, rail and air transport policies. The "Tourism and environment" project promotes pilot studies for the development of sustainable tourism in nature areas and supports environmental management training for tourism professionals.

19. In response to a provision of the Århus Ministerial Declaration, the Council for the Pan-European Biological and Landscape Diversity Strategy, at its third meeting in April 1999, established a working group to prepare concrete proposals for a possible conference in 2001 on the integration of agriculture and biodiversity.

Baltic 21

20. An Agenda 21 for the Baltic Sea region - Baltic 21 - was adopted in June 1998 by the Governments of Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia and Sweden. Baltic 21 focuses on agriculture, energy, fisheries, forests, industry, tourism, transport and spatial planning. For each sector, goals and scenarios for sustainable development were set. The Action Programme is divided in three parts: joint actions addressing cross-sectoral issues, sector-specific actions and spatial planning actions. Environment Ministers played an initiating and liaising role, but the responsibility for elaborating and implementing Baltic 21 rested with the sectors themselves and the sectoral ministries.

21. Baltic 21 calls for the links and dependencies between sectoral and spatial development and between the different sectors themselves to be addressed, and joint priorities and strategies to be developed more actively. It emphasizes the important role of investment planning to help bring the parties responsible for planning, finance, environment, sectoral ministries and municipalities together to reach consensus on priorities in a formally structured manner.